

DEBT SERVICE

PROGRAM DESCRIPTION

The debt service fund was established July 1, 1987 to provide for the annual repayment of bonded debt principal and interest, lease-purchase principal and interest and bond agency fees. Long-term debt, with the exception of the enterprise fund's (water and sewer) debt service and the equipment leasing fund's lease-purchase payments is accounted for in this fund. Prior to 1987, this appropriation was included in the general fund.

On November 4, 1986, Durham County voters approved \$120,600,000 in general obligation bonds for a variety of capital projects included in the capital improvement plan. For the purposes of repayment, the Durham County Board of Commissioners established a capital financing plan, dedicating selected revenues to the retirement of debt as well as to pay-as-you-go financing (see Capital Financing Fund narrative). In FY1994-95, the remaining authorized bonds from 1986 and 1991 were issued.

In addition, on March 12, 1991, Durham County voters approved an education bond issue totaling \$131.9 million. Proceeds from the issue were used to construct and renovate public schools (\$125 million); add a wing to the N.C. Museum of Life and Science (\$3.8 million); and develop a \$3.1 million satellite campus for Durham Technical Community College.

Debt service payments also paid for construction of the new Detention Facility that was financed with certificates of participation sold on April 30, 1991. In 1997 these COPS were refinanced resulting in a reduction in the annual debt service.

In February 2001, the County refunded approximately \$87 million in 1992, 1993, and 1994 bonds to take advantage of declining interest rates. Again, the County will save approximately \$3,900,000 on debt service costs over time. In addition, the 1993 variable rate bonds were defeased and refinanced as fixed rate bonds.

At a bond referendum held on November 6, 2001, County voters approved bond orders giving the County the authority to issue general obligation bonds in an aggregate principal amount not to exceed \$74,660,000 to finance the construction of selected capital projects. A summary of this referendum is included:

2001 Bond Authorization

School Facilities	\$51,800,000
Library Facilities	\$10,270,000
Museum	\$5,840,000
Recreational Facilities	\$5,550,000
Health Care Facilities	\$1,200,000
Total	\$74,660,000

The County issued two-thirds debt proceeds in January 2002, amounting to \$11,050,000 in general obligation bonds. The Public Improvement Bonds represent a consolidation of \$5,910,000 Public Building Bonds and \$5,140,000 Library Facilities Bonds.

Also in January 2002, the County refunded approximately \$35 MM in outstanding Refunding Bonds, Series 1992, resulting in a savings of over \$1.5MM.

In April 2002, the County sold \$68,410,000 of the total 2001 authorization amount of \$74,660,000. The general obligation bonds represent a consolidation of \$51,800,000 School Bonds, \$10,270,000 Library Facilities Bonds, \$4,840,000 Museum Bonds, \$1,000,000 Recreational Facilities Bonds and \$500,000 Health Care Facilities Bonds.

The portion of the county tax rate dedicated to fund the Capital Financing Plan is increased from 6.2 cents to 7.20 cents. This increase is due primarily to new debt payments for recently issued debt, as well as slower than projected growth in dedicated sales and occupancy tax.

Comments: NC Law limits local government net debt to 8% of assessed value. Based on current valuations, the county could issue \$1,527,157,284 [D1][JBL2] in debt. At this writing the county has \$197,730,000 in outstanding general obligation debt. An additional \$28,715,000 [D3] in certificates of participation are not included in this legal limit.

